
Authorities Budget Office
Review of Accuracy of IDA Projects Reported
North Greenbush Industrial Development
Agency
August 26, 2015



The Authorities Budget Office (ABO) is authorized by Title 2 of the Public Authorities Law to review and analyze the operations, practices and reports of public authorities, to assess compliance with various provisions of Public Authorities Law and other relevant State statutes, and to make recommendations concerning the reformation and structure of public authorities. The ABO is undertaking a series of reviews of industrial development agencies to determine if each agency is accurately reporting project information in the ABO's Public Authorities Reporting Information System (PARIS) including financial assistance provided to projects and their employment impact.

We reviewed project data to evaluate whether information reported by the North Greenbush Industrial Development Agency (IDA) in its 2014 PARIS annual report was accurate and verified by supporting documentation. We also interviewed IDA officials to obtain information on procedures followed. The results and recommendations of our review were discussed with the Chair of the IDA.

Background

The North Greenbush Industrial Development Agency (IDA) was created in 1981 under Section 927-a of General Municipal Law. The IDA's mission is to attract businesses to and retain existing enterprises in the Town of North Greenbush to increase employment opportunities. It accomplishes this by providing financial assistance to projects and administering two loan programs.

The IDA is governed by a six member board of directors appointed by the Town Board. Historically the Town Comptroller was responsible for managing IDA operations, but this ended in March 2014 after the IDA submitted its 2013 annual report. The IDA did not reimburse the Town for these services, but did pay the Town \$5,000 in 2014 for the use of Town facilities. The current IDA board Chair was first appointed to the board and elected to serve as Chair in 2014. At that time, the Chair assigned IDA staff duties to employees of his private business, however this arrangement has not been formalized under a written agreement with the IDA. These individuals maintain the IDA's financial records, including oversight of the IDA's outstanding loans, and enter information in PARIS. IDA officials told us that the majority of the work consists of overseeing the loan programs.

For 2014, the IDA reported two active projects, both of which were financed by industrial development revenue bonds. The IDA reported outstanding debt of \$1,905,725 as of December 31, 2014 associated with these projects. The IDA

reported that the two projects were expected to create and retain a total of 55 jobs, and that the projects had created or retained a total of 40 jobs through 2014. The IDA also had a total of \$425,514 available in its two loan funds. As of December 31, 2014 the IDA had 13 outstanding loans with a total outstanding balance of \$525,282. The IDA determined that six of these loans totaling \$377,166 (72 percent of the total outstanding loans) are uncollectible.

Review Results

The IDA does not have documentation to support much of the data that it reports in PARIS, and when documentation does exist, the IDA does not report it accurately. The employment data reported by the IDA significantly overstates the employment results actually achieved by projects.

The IDA has two active projects, both of which consist of industrial revenue bonds issued to finance the construction of private schools within the Town of North Greenbush. The Parker School project application was submitted in 1997 and indicated that the total project costs of \$1,775,000 would retain 29 jobs (12 full-time and 17 part-time) and create 8 new jobs. The IDA issued \$1.2 million of bonds in 1998 to fund this project. In 2006, Parker School applied to the IDA to refinance the existing debt. This application did not indicate the amount of financing requested or provide any employment data, yet the IDA issued \$1.27 million of bonds to refinance the project in December 2006. Since a new application was submitted, new bonds were issued, and the terms of the financing changed, the IDA should have reported that the original project was completed and reported the 2006 refinancing as a new project. However, it is unclear what information the IDA relied upon when reporting the information for this project. The IDA reported total project costs of \$1,890,017; a bond amount of \$1.2 million; ten existing jobs; and that the project was expected to create 15 jobs as a result of IDA financing.

The IDA's Woodland Hills Montessori School project application was submitted in 2001 and indicated that the total project costs of \$2,908,050 would retain 38 jobs and create 9 new jobs. The IDA issued \$1.8 million of bonds in 2001 to fund this project. However, the IDA incorrectly reported the amount of the bond as the project costs, and also reported that project had no jobs prior to IDA assistance and was planning to create 30 jobs. As a result, the IDA underreported the total project costs by over \$1.1 million and underreported the project's initial job numbers and job creation goals.

The IDA reported incorrect employment data for both projects. Project owners are required to indicate in the project application the number of existing jobs and the number of jobs expected to be created or retained as a result of the IDA's financial assistance. This data can then be used to monitor the results obtained by comparing the actual jobs to these expected targets. However, the data reported by the IDA significantly understates the targets for each project, which overstates the actual results obtained.

	Employment Data	Reported	Actual
Parker School	Jobs before IDA Status	10	29
	Jobs to be Created	15	8
	Project Target	25	37
	Current Jobs	10	26*
	Difference from Target	(15)	(11)
Woodland Hills	Jobs before IDA Status	0	38
	Jobs to be Created	30	9
	Project Target	30	47
	Current Jobs	30	42*
	Difference from Target	0	(5)

*Represents current jobs reported in the IDA's 2013 financial audit.

The IDA did not obtain current job information from the two projects for 2014, because the IDA Chair told us that he did not know that the IDA was required to obtain employment information since both projects are not-for-profit organizations. Instead, he stated that the current jobs reported for 2014 were merely carried over from the 2013 report. However the current jobs reported by the IDA for 2013 was also incorrect. The Parker School project reported 26 jobs in 2013 but the IDA reported 10 jobs, and the Woodland Hills project reported 42 jobs in 2013 but the IDA reported 30 jobs.

Conclusion

Although the IDA board is responsible for ensuring that all statutory reporting is accurate, timely and complete it does not adequately monitor the IDA's active projects, and does not review data entered in PARIS prior to submitting the statutorily required reports. The IDA has reported inaccurate project costs and jobs data in PARIS because the IDA either does not have documentation to support the data it reports or it reports data that is not supported by source documentation. The IDA Chair appears to have taken a strong leadership role in managing the IDA operations, although the Chair does not have a good understanding of those responsibilities. We believe that this is partly due to the Chair failing to attend statutorily required board member training, although the Chair has been a board member for over a year and a half.

The IDA board should establish a process to ensure that the required data is obtained and reported accurately, and the IDA board should discuss and approve the information prior to it being submitted. In addition, the IDA board should consider the appropriateness of having the employees of the Chair's private business managing the IDA's accounts and records.